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ABSTRACT

The General Accounting Office reviewed the Social Security Administration's (SSA) Plan for Achieving Self-Support (PASS) program, which was established in 1972 to help disability benefit recipients return to employment. The study evaluated the SSA's management of the PASS program, including the program's impact on employment, and sought to determine whether the PASS program is vulnerable to abuse. Data were gathered through interviews with staff in SSA's headquarters, review of PASS program regulations and guidance, observation of an SSA work group considering program changes, site visits to 19 field offices in 7 states with interviews of staff and PASS recipients, and analysis of program data. The study found that the SSA has done a poor job in implementing and managing the PASS program. The number of persons coming into the program (which allows participants to set aside some earnings for job training or education without loss of benefits) has grown fivefold in the past 5 years, without a corresponding increase in trained persons leaving the SSA rolls. The SSA has not collected sufficient management data on PASS program participation and outcomes and has not defined clear program goals. Therefore, the agency is unable to monitor the program's effectiveness. In addition, inadequate internal controls such as minimal or nonexistent participation requirements, broad and nonstandardized guidance and compliance reviews, and lack of SSA policy regarding third-party PASS preparers compromise the program's integrity. Although the SSA is aware of and is addressing some of these weaknesses, it cannot provide assurance that funds are spent properly. Several recommendations were made to address program eligibility, management, support to field office staff, data collection, and program evaluation and internal controls. (Appendixes to the report contain PASS documents, site visit data, participant characteristics, comments from the SSA on the evaluation, and names of persons contacted.) (KC)

United States General Accounting Office

GAO

Report to the Committee on Finance, U.S. Senate, and the Committee on Ways and Means, House of Representatives

February 1996

PASS PROGRAM

SSA Work Incentive for Disabled Beneficiaries Poorly Managed

ED 392 970

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United States
General Accounting Office
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Health, Education, and
Human Services Division

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February 28, 1996

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The Honorable Daniel Patrick Moynihan
Ranking Minority Member
Committee on Finance
United States Senate

The Honorable Bill Archer
Chairman
The Honorable Sam M. Gibbons
Ranking Minority Member
Committee on Ways and Means
House of Representatives

This report responds to the request in House Conference Report 103-670 that we review the Social Security Administration's plan for achieving self-support (PASS) program. The PASS work incentive program was established in 1972 as part of the Supplemental Security Income program to help disability benefit recipients to return to gainful employment. However, very few recipients have left the federal disability rolls by returning to work. In this report we provide data on the characteristics and uses of individual PASSes and provide recommendations for strengthening PASS program implementation and internal controls.

We will send copies of this report to the Commissioner of Social Security, the Secretary of Health and Human Services, and other interested parties. We will also make copies available to others upon request.

Please contact me on (202) 512-7215 if you or your staff have any questions concerning this report. Other GAO contacts and contributors for this report are listed in appendix VII.

Jane L. Ross

Jane L. Ross
Director, Income Security Issues

Executive Summary

Purpose

The increased recognition of the employment capabilities of people with disabilities corresponds with the desires of many to obtain or maintain meaningful work. Currently, income support for the disabled is provided primarily through two federal programs, the Supplemental Security Income (SSI) program and the Disability Insurance (DI) program, both administered by the Social Security Administration (SSA). The SSI program provides income assistance and health benefits to low-income blind, disabled, and elderly people. The DI program provides cash and health benefits to disabled former workers who paid taxes into the DI trust fund. In 1994, the value of benefits paid out by both programs to about 7 million individuals exceeded $100 billion. Despite increasing societal emphasis on employment for the disabled, the number of individuals enrolled in one or both programs doubled between 1985 and 1994, and each year only a few individuals leave either program by returning to work.

In 1972, the Congress enacted the provision establishing the plan for achieving self-support (PASS) work incentive, referred to in this report as the PASS program, as part of the SSI program to "provide every opportunity and encouragement" for people with disabilities to undertake gainful employment. The PASS program allows disabled SSI recipients and DI beneficiaries to receive higher SSI monthly benefits by excluding from their SSI eligibility and benefit calculations any income or resources used to pursue a work goal. Although the PASS program has been available for more than 20 years, little information exists on its implementation, use, and outcomes. As a result, the Congress requested GAO to conduct a study of the PASS program and procedures. GAO designed its study to

- evaluate SSA's management of the PASS program, including the program's impact on employment, and
- determine whether the PASS program is vulnerable to abuse.

To address its objectives, GAO interviewed staff in SSA's headquarters, reviewed PASS program regulations and guidance, and observed the initial activities of an SSA work group considering proposed program changes. In addition, GAO visited 19 SSA field offices, located in seven states, that have approved high numbers of PASSes; interviewed staff in each of the 10 SSA regional offices; reviewed 380 randomly selected PASSes; and spoke with individuals who prepare PASSes for disability benefit recipients. Finally, GAO analyzed data for PASS program participants from an extract of the Supplemental Security Record and from the Master Beneficiary Record, the main databases of the SSI and DI programs, respectively, as well as SSA's annual earnings database of employer-reported earnings.

Background

Almost 7.2 million people under age 65 received federal disability assistance in 1994 from the SSI or DI programs. Nearly 700,000 people—or 10 percent—received payments from both programs, making them concurrent beneficiaries. Eligibility for both programs is based on medical impairment(s) that prevent gainful employment, currently measured as employment that results in earnings of $500 or more a month. Once benefit eligibility is established, relatively few individuals subsequently become employed; claimants in both programs receive cash benefits for an average of a decade or more.

PASS program applicants submit individualized, written plans outlining their employment goal, which are reviewed by staff in one of the more than 1,300 SSA field offices that administer SSI. An approved PASS allows disabled individuals to exclude any non-SSI income or resources they have, including DI benefits, from the determination of the amount of their SSI cash payment. The excluded moneys are to be used to pay for expenses related to the employment goal, such as special adaptive equipment, tuition, training, transportation, materials, or supplies. Excluding income and resources from consideration under a PASS can result in a person becoming eligible for SSI or receiving higher monthly SSI cash payments. For example, under a PASS, an SSI recipient with monthly earnings of $200 may set aside these funds for job training costs to become an electrician and still receive the full SSI payment each month. Under the PASS program, individuals whose income and assets would otherwise bar them from eligibility in SSI can establish or continue eligibility for the SSI program and associated benefits, including Medicaid.

Results in Brief

SSA has done a poor job implementing and managing the PASS program. Because SSA has provided insufficient program direction and support to its field office staff, these staff have difficulties approving and denying program applications. While the PASS program is currently small—only about 10,300 individuals participated in December 1994—the number of PASSes has increased more than fivefold in the past 5 years as awareness of the provision has grown, and millions more DI and SSI beneficiaries are eligible to participate. Reflecting diversity in the disability community, the PASSes GAO reviewed encompassed a wide variety of goals, ranging from doing janitorial work to becoming a college professor. About 40 percent of PASS program participants, largely DI beneficiaries, would not be eligible for federal SSI payments if some of their income was not being disregarded under a PASS.

The impact of the PASS program on employment is unknown because SSA lacks basic data on PASS program participation. While GAO found that many former program participants were working after their PASS ended, many also worked before participating in the program, and few left the SSI and DI rolls. Nearly all DI beneficiaries who had participated in the PASS program were receiving their full benefits in May 1995, resulting in virtually no savings for the DI trust fund. GAO estimated the cost of additional SSI payments to all program participants at $2.6 million for January 1995, or about $30 million annually.

A lack of safeguards has also left the PASS program vulnerable to abuse. Internal control weaknesses include the broad and vague nature of PASS program guidelines, the lack of a standardized application form, and the absence of limits on the number of PASSes an individual may have approved in his or her lifetime. In addition, SSA headquarters management has not adequately addressed the potential problems presented by professional PASS preparers, whose fees—as much as $800—are often included as PASS expenses. Although SSA is attempting to address some of these internal control weaknesses in its recently established work group, it cannot now provide reasonable assurance that taxpayer dollars are being used appropriately.

Principal Findings

PASS Program Poorly Managed, Growing

SSA has not specified criteria for its staff to use in assessing the appropriateness of plans proposed by PASS program applicants, or the basis on which success of those plans should be measured. GAO found that field office staff apply varying measures of successful outcomes to PASSes when evaluating their feasibility, including gaining work experience, reducing cash benefits through earnings, and leaving the disability rolls as a result of work. Reflecting the diversity of the disability population, GAO found a wide variety of goals and proposed expenditures in the plans it reviewed, although most included cars, computers, or tuition.

In addition, the PASS program currently lacks several key elements that could contribute to effective management. For example, SSA guidance does not require PASSes to capture information on the applicant's disability, education, and skills. Further, the SSA staff responsible for reviewing

individual plans lack the necessary vocational training, experience, and guidance to assess whether applicants can achieve their work goals.

Although the PASS program encompassed only about 10,300 claimants, or less than 1 percent of the SSI population in December 1994, the number of participants increased over 500 percent between 1990 and 1994. Further growth is predicted, because millions of SSI and DI beneficiaries are eligible to participate. Currently, the program includes primarily DI beneficiaries who have unearned income to set aside under a PASS. Three-quarters of PASS participants are concurrent beneficiaries—those who receive benefits from both the DI and SSI programs—and 40 percent of all PASS participants, almost all of them DI beneficiaries, had additional income that exceeded the income eligibility level for federal SSI payments. However, as a result of PASS program participation, these individuals received an average of $318 in additional federal SSI payments in January 1995.

Because SSA has not collected sufficient management data on PASS program participation and outcomes and has not defined clear program goals, the agency is unable to monitor the program's effectiveness. Using the available data, GAO's analysis of more than 4,000 former PASS participants found that while they were more likely to work than other SSI recipients and often had earnings high enough to reduce their SSI payments, most had also worked prior to participating in the PASS program. Furthermore, almost no recipients eligible only for SSI had left that program by December 1994. Nearly all concurrent beneficiaries were still receiving DI benefits after their PASSes ended; many who had left the rolls did so for reasons other than earnings, such as death. Earnings below the level of substantial gainful activity—$500 a month for most beneficiaries—do not reduce DI benefits or accrue any savings to the DI trust fund. In contrast, earnings by all working SSI recipients, including former PASS program participants, reduced SSI payments by more than $18 million in January 1995. GAO estimated the cost of additional benefits paid out to PASS program participants was $2.6 million for January 1995.

Inadequate Internal Controls Compromise PASS Program Integrity

GAO's review of the PASS program showed limited adherence to existing regulations as well as insufficient safeguards to protect SSI program integrity. Internal control weaknesses include (1) minimal or nonexistent PASS program participation requirements, such as no penalties for willful noncompliance and no limits on the number of PASSes a person may have approved; (2) broad and nonstandardized PASS guidance and compliance reviews, which create inconsistent program administration; and (3) lack of

SSA policy regarding third-party PASS preparers, including the fees some charge for plan development and their potential financial conflicts of interest. SSA is aware of and is considering addressing some of these weaknesses, but cannot now provide reasonable assurance that funds are spent appropriately.

Matter for Congressional Consideration and Recommendations

GAO is offering one matter for consideration to the Congress to address program eligibility. GAO is also making several recommendations to the Commissioner of SSA in the areas of improving consistency of program management, support to field office staff, data collection and program evaluation, and internal controls. (See ch. 4.)

Agency Comments

SSA generally concurred with GAO's recommendations, which it noted were consistent with its work group study findings, and cited plans to address them. However, SSA commented that it had limited statutory authority to address all of GAO's recommendations. As stated in GAO's recommendations, SSA may find it necessary to seek legislation to implement program changes. More details on SSA's specific proposed actions, as well as a full copy of SSA's comments and GAO's response, are included in appendix VI.

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Abbreviations

DI	Disability Insurance
MBR	Master Beneficiary Record
OIG	Office of the Inspector General
PASS	plan for achieving self-support
POMS	Program Operations Manual System
SGA	substantial gainful activity
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record

Introduction

The Social Security Administration's (SSA) Disability Insurance (DI) and Supplemental Security Income (SSI) programs are the two largest federal programs providing cash and medical assistance to people with severe, long-term disabilities, at an annual cost of more than $100 billion. The DI program offers partial income replacement for disabled workers who have earned Social Security benefits. The SSI program provides federal and state cash assistance to people who are elderly, blind, or disabled, regardless of insured status, whose income and resources are below a specified amount. In the legislation authorizing the SSI and DI programs, the Congress articulated its aim to rehabilitate into productive activity as many disability benefit recipients as possible.

Consistent with this goal, the Congress has passed several work incentive provisions to reduce the risks of seeking employment for recipients, by safeguarding cash and medical benefits while a recipient tries to work. One such provision authorized the plan for achieving self-support (PASS) program as part of the SSI program in 1972. In explaining this provision, the pertinent House Report stated that the Ways and Means Committee wanted to "provide every encouragement and opportunity" for participants to work.

The DI and SSI Programs

The DI program, authorized in 1956, provides cash and medical benefits to workers under age 65 who become disabled and cannot continue working, as well as to their dependents. The DI program is funded through Federal Insurance Contribution Act taxes paid into a trust fund by employers and workers. In 1994, 3.3 million people with disabilities were enrolled in DI and received, on average, cash benefits of about $660 a month.

The SSI program was authorized in 1972 under title XVI of the Social Security Act as a means-tested income assistance program for people who are elderly, blind, or disabled. Unlike DI beneficiaries, SSI recipients do not need to have a work history to qualify for benefits, but need only have low income and limited assets. General government revenues provide the federal funding for the SSI program, while some states supplement federal payments with their own funds. SSI disabled beneficiaries receive an average monthly cash benefit of about $380 (beneficiaries in the 43 states that provide a monthly supplement received, on average, an additional $110 in 1993) and immediate Medicaid eligibility in most states. In 1994, 2.3 million blind and disabled adults under age 65 and 893,000 children were enrolled in SSI. Individuals who are insured under Social Security, but fall below SSI's income and resource eligibility threshold, can qualify for

both DI and SSI benefits. An additional 671,000 people under age 65, called concurrent beneficiaries, were enrolled in both programs in 1994.

To be considered disabled under either program, a person must be unable to engage in substantial gainful activity (SGA)[1] because of a medically determinable physical or mental impairment that is expected to last not less than 12 months or result in death. The severity of the impairment must prevent the applicant not only from doing his or her previous work, if any, but also from engaging in any other kind of substantial work in the national economy, considering his or her age, education, and work experience. The process used to determine eligibility for benefits is the same for both programs.

PASS Program Structure and Participants

In establishing the SSI and DI programs, the Congress considered it very important that disabled persons be helped to return to self-supporting employment wherever possible. To this end, over the years the Congress has enacted numerous work incentive provisions in both the SSI and DI programs to encourage more people to work their way off the disability rolls. These include the PASS program and extended eligibility for Medicare benefits to working DI beneficiaries. During a beneficiary's work attempt, these work incentive provisions allow varying degrees of safeguards for cash and medical benefits, as well as program eligibility. However, despite the Congress' aim to return the maximum number of DI and SSI beneficiaries to work, few beneficiaries have actually done so. Only 1 in every 500 DI beneficiaries is terminated from the rolls because he or she has returned to work. While SSA has no comparable measures for the SSI population, we recently reported that this population's return-to-work rate is similarly low.[2]

The PASS program was established by the Congress as part of the SSI program to assist disability benefit recipients with beginning or returning to work. The PASS program is administered by staff in the approximately 1,300 SSA field offices nationwide, based on policy and regulations developed by SSA headquarters staff in the Office of Program Benefits Policy. The Program Operations Manual System (POMS) is the primary policy guidance to staff on the PASS program. Work incentive staff in SSA's 10 regional offices provide additional guidance and oversight to field office

[1]Regulations currently define SGA as monthly earnings of more than $500. This limit changes each year for blind individuals to reflect changes in general wage levels; in 1994 it was $930 a month.

[2]Social Security Disability: Management Action and Program Redesign Needed to Address Long-Standing Problems (GAO/T-HEHS-95-233, Aug. 3, 1995).

staff. In December 1994, about 10,300 individuals participated in the PASS program and had active PASSes.[3]

In commenting on the PASS provision, the pertinent House Report stated that it should be "liberally construed," and SSA headquarters has chosen to place few constraints on the program in regulations or in the POMS. For example, there is no required application format and no limit on the number of approved plans an individual can have in a lifetime. PASSes are written plans, developed specifically for an individual, that identify a work goal and the items and services needed to achieve that goal. (For a sample plan format, see app. I.) To purchase these items and services, PASS program participants may use any non-SSI income or resources they have—for example, DI benefits or wages from a job. Anyone can write a PASS—the disability benefit recipient, an SSA staff member, a vocational rehabilitation professional, staff from another agency, or a relative or friend; no vocational rehabilitation expertise is required.

Normally, any additional income or resources would reduce the amount of the SSI payment, but SSA disregards the income and resources included in a PASS when determining income available to the SSI recipient. Consequently, excluding income and resources to pursue a work goal under a PASS can result in additional monthly SSI cash payments. For example, an SSI recipient earning $300 a month in a part-time job is normally eligible for about $350 in SSI benefits, if he or she is single and lives alone. However, using a PASS, this individual could use these earnings to pay for classes and transportation to school to become an accountant and receive the maximum 1995 federal benefit of $458 each month.

As currently implemented, the PASS program can also be used to establish eligibility for SSI by disabled individuals whose incomes or resources would otherwise exceed program eligibility limits. If a DI beneficiary who receives $620 a month in benefits, for example, can set $300 of this income aside under a PASS to pursue a work goal, he or she becomes eligible for SSI payments because his or her countable income is less than the federal SSI eligibility rate. Eligibility for SSI usually brings eligibility for other means-tested benefits, including Medicaid and food stamps.

PASSes are submitted to staff in one of the SSA field offices for review. These staff approve or deny plans on the basis of the work goal's feasibility and adjust SSI payment levels for approved plans. Work goals

[3]The number includes only approved plans that exclude some type of earned or unearned income from benefit calculations; SSA does not track the number of plans that only exclude resources, such as private retirement plans. In our review of 380 plans, we found only 8 with resource exclusions.

must be stated in terms of specific job titles or professions. For example, education can be part of a plan but cannot be a goal in itself. As long as applicants specify a different work goal in each PASS, there is also no limit placed on the number of plans one individual can have, although only one plan can be active at a time and each PASS is limited to a maximum of 48 months. However, interim guidelines issued in January 1995, in response to a mandate in the Social Security Independence and Program Improvement Act of 1994, allow additional 6-month extensions to ongoing plans.

In December 1994, PASS participants represented only about three-tenths of 1 percent of the working-age disabled SSI population. The number of PASSes varies by state, with clusters in areas where outreach by professional PASS preparers and service providers has been greatest. As a result, knowledge of and experience with the PASS program varies greatly among field offices and staff. Some offices have no active PASSes, while administering the PASS program constitutes a significant workload in others. Compared with other SSI recipients, PASS program participants are generally younger and more often men. In addition, PASS program participants are more likely to have mental illness as their disabling condition. For a more detailed description of the demographics of program participants, see appendix II.

The PASS program is unique among all DI and SSI work incentives because it is available to disabled individuals who are not already working. Specifically, the PASS provision allows participants to exclude unearned, as well as earned, income for consideration in determining benefit amount. All other work incentive protections, such as extended eligibility for health and cash benefits for working recipients, apply to earned income only. Furthermore, while SSI and DI beneficiaries who work can use the impairment-related work expense provision to deduct from their gross wages the cost of items and services needed to work, only half these costs are offset by increased SSI benefits. In contrast, PASS expenses are deducted after all other exclusions when determining an individual's countable income, and therefore fully subsidized by additional SSI cash payments, up to the maximum benefit amount.

Objectives, Scope, and Methodology

House Conference Report 103-670, accompanying the Social Security Independence and Program Improvement Act of 1994 (P.L. 103-296), asked that we review SSA's PASS program. Specifically, we were asked to provide data for the last 5 years, to the extent possible, on (1) the number and characteristics of individuals who have applied for a plan, (2) the number

and characteristics of those whose plans have been approved, (3) the kinds of plans that have been approved and their duration, (4) the success of individuals in fulfilling their plans, and (5) the extent to which individuals who have completed a PASS have become economically self-sufficient. We were also asked to study whether improvements can or should be made to the PASS program, including the process used to approve plans. Because SSA's Office of Program Integrity Review was already tracking PASS program participants' compliance with their plans and the outcome of PASS program participation, we focused our efforts on PASS program management and internal controls.

To analyze PASS program implementation and determine what changes and improvements were needed, we reviewed PASS guidance, legislation, and regulations. We also interviewed Social Security headquarters staff responsible for the program and monitored an SSA work group charged with considering PASS program policy changes. In addition, we met with staff in 19 SSA field offices, located in California, Colorado, Maine, Massachusetts, Michigan, Vermont, and Wisconsin, that had high numbers of active PASSes to discuss their experience with the work incentive. (For a list of locations visited, see app. III.) In these same states, we met with 38 individuals, representing 32 different organizations, who prepare PASSes for disability benefit recipients. In addition, we spoke with the PASS program liaison in each of the 10 SSA regional offices to learn about program trends nationwide.

To determine the numbers and characteristics of PASSes and program participants, we analyzed an extract of the Supplemental Security Record (SSR), the main database of SSI participants. We also used data from the SSR, the Master Beneficiary Record (MBR) of DI beneficiaries, and SSA's Master Earnings File maintained for all workers to assess the current earnings and benefit status of former PASS participants. We were unable to evaluate program impact, because most program participation has been recent, and SSA has only 4 years of historical data on the PASS program, which includes no data on the outcomes of program participation. In addition, individuals self-select into the PASS program, and may already be different from other SSI and DI beneficiaries in ways that would affect their future employment and earnings. Finally, we reviewed 380 randomly selected PASS files in 17 field offices to gather additional data about PASSes, including the types of work goals and proposed purchases. We did not, however, verify that specific program participants complied with the goals and activities specified in their PASSes. For more information about our methodology, see appendix IV.

We did our work between January and November 1995 in accordance with generally accepted government auditing standards.

PASS Program Reflects Management Inattention

SSA has not translated the PASS program's goals of providing opportunities for participants to work into a well-defined program structure with specific objectives. Confusion about program objectives has resulted in different and sometimes conflicting PASS approvals and denials across field offices. In addition, SSA field office staff find it difficult to approve or deny PASSes because SSA headquarters has not developed clear criteria for evaluating PASSes. Most field office staff do not have expertise or training in evaluating work opportunities for people with disabilities, whose needs are extremely diverse. Reflecting this diversity, the PASSes we reviewed encompassed a wide array of work goals, from janitorial work to professional positions, and included expenditures ranging from business cards to new cars. Finally, the PASS program includes primarily DI beneficiaries, many of whom use the PASS program to gain eligibility for federal SSI payments.

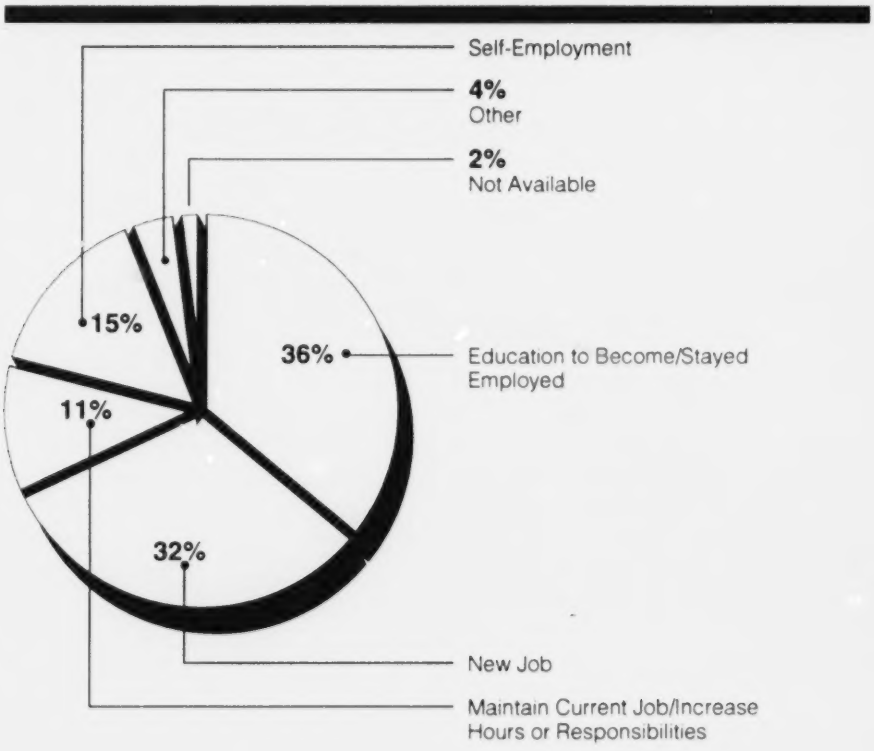
Because SSA has not developed measures to evaluate how well the PASS program is helping participants become or stay employed, the agency lacks adequate management data on PASS use. For this reason, we could not accurately measure PASS program impact. We did find that many former PASS participants are earning enough income to at least reduce their SSI payments, compared with other SSI recipients, although many had worked prior to participating in the PASS program. Few, however, have earned enough to end SSI payments. In addition, nearly all concurrent beneficiaries continue to receive DI benefits after their plans end, even if they leave the SSI program, limiting the potential federal savings stemming from the PASS program.

PASS Goals and Expenditures Vary

The 380 PASSes we reviewed encompassed a wide variety of goals, including increasing hours and responsibilities at a current job, seeking a new job, or pursuing education as a step toward work. (See fig. 2.1.) About one-third of plans had education as a major component, although the level of education desired ranged from attending culinary school to pursuing a Ph.D. in philosophy. Another one-third of PASS program applicants were seeking new jobs, while about 10 percent proposed to maintain or increase their hours or responsibilities at a current job. For those individuals proposing specific occupational goals, the demands of these jobs, as well as their likely income, were highly variable. We found that many PASSes were written to help applicants achieve low-skill, low-wage service jobs, such as janitorial work, product assembly, or employment in fast-food restaurants; however, we also saw plans written to help participants become psychotherapists, computer programmers, engineers, and college

professors. Some program participants' goals were more unusual, involving self-employment in music, arts, and crafts. Self-employment was the goal in 15 percent of the PASSes we reviewed, including small businesses in tailoring, tree stump removal, and window washing. In addition, some PASS program participants were approved to support themselves as professional PASS preparers, writing plans for other disability benefit recipients for a fee. (See app. V for a sample of occupational goals listed on the approved PASSes we reviewed.)

Figure 2.1: Education Is a Major Component of Many PASS Goals



The proposed purchases listed on PASSes varied, as did their cost. Automobiles (new and used vehicles as well as insurance, maintenance, and modification costs), tuition, and computers were common items in

PASS budgets. More than 80 percent of the plans we reviewed included at least one of these items. Costs for these items ranged from a $41,000 wheelchair-modified van or thousands of dollars in highly specialized computer equipment to a $19 monthly bus pass. SSA has placed no absolute limits on the types or costs of items that PASSes can be used to purchase as long as they are necessary to achieve the work goal and reasonably priced. The wide range of approved purchases we saw included photographic film, cellular telephone service, business advertising, professional attire, job coaching, and school supplies.

The total budget also ranged considerably in the PASSes we reviewed, depending on the amount of the income excluded and the plan's time length. The average monthly exclusion for all PASSes in December 1994 was $400, although some individuals were excluding more than $1,000 a month. Total costs associated with a single PASS could be significant; for example, one plan had a budget of $67,233 for an individual to return to work as a radiological technologist, which included items such as a standing wheelchair, a modified van and insurance, a track lift system, and a computer. Field staff in at least eight of the offices we visited raised concerns about PASS applications in which proposed purchases were exactly equal to total excludable income. Several PASS preparers confirmed that they develop budgets based on the maximum excludable income, regardless of the occupational goal.

We were not able to determine the average time length of PASSes, because extensions and end-dates were not always documented in the files we reviewed. In addition, this information is not captured in the Supplemental Security Record (SSR), the database of SSI recipients. We found, however, that half of the current exclusions as of December 1994 had been active 9 or fewer months. In addition, more than 1,700 PASSes begun in 1993 were no longer active in December 1994. No comprehensive data are currently available on the total number of PASS applications, because SSA does not track denied plans. However, staff in almost all the field offices we visited agreed that the majority of PASSes are approved.

PASS Program Not Well Defined, Growing

SSA has neither clearly articulated the objectives of the PASS program nor established criteria for evaluating whether an individual plan will be successful. This lack of clear goals is reflected in inadequate guidance to field office staff and inconsistent and inefficient PASS program administration. Our interviews revealed a wide range of standards applied by SSA field office staff and third-party PASS preparers in assessing the

feasibility of individual PASSes, ranging from cessation of all disability benefits to improved quality of life. Current PASS participants constitute less than 1 percent of the working-age SSI population; nonetheless, the number of PASSes has grown by more than 500 percent in the last 5 years. As a result of congressional direction to liberally construe the PASS provision, SSA has permitted individuals to become eligible for SSI by using a PASS. Consequently, the PASS program includes primarily DI beneficiaries, many of whom use PASS to gain eligibility for SSI payments.

Lack of Clear Outcome Measures Hinders Program Administration

In establishing the PASS program, the Congress specified that the work incentive should "provide every opportunity and encouragement to the blind and disabled to return to gainful employment." SSA headquarters staff, however, have not issued regulations translating this goal into specific outcome measures of PASS program success, choosing instead to leave the interpretation open to the field office staff who administer it. As a result, the SSA field office staff and third-party PASS preparers we interviewed used different, and sometimes conflicting, interpretations of successful outcomes when developing and reviewing individual PASSes. For example, some field office staff will not approve a PASS unless they believe it will result in the applicant leaving the disability rolls, while the preparer may have written it to give the applicant a chance to attend school and try working, but not become self-supporting.

SSA field office staff in nearly all the offices we visited said that PASS use should result in a reduction, if not cessation, of SSI benefits. While 10 of the 38 PASS preparers we interviewed shared this view, others offered broader definitions of success, including working or attending school, improved self-esteem, and fuller participation in society. Some PASS preparers and SSA staff expressed concern that immediate economic self-sufficiency was not feasible for some members of the SSI population, and that the appropriate PASS outcome depended on the individual.

PASS program guidance from SSA headquarters to the field offices contributes to confusion over the goal of the work incentive. Prior to January 1995, the POMS, SSA's primary written guidance to field office staff who administer the PASS program, stated that the occupational objectives on PASSes must ultimately produce enough additional earned income to reduce or eliminate SSI payments. The guidance also noted that the PASS program was "not intended to subsidize a continuing level of current work activity." In contrast, the POMS transmittal concerning PASS issued in January 1995 directed field office staff to evaluate individual PASSes in

terms of the applicant's higher earnings potential upon completion of the PASS, and weakens the link between earnings and benefits payments. In addition, this guidance includes increased on-the-job independence and decreased reliance on employment support, irrespective of earnings, as acceptable PASS goals. According to field office staff, the verbal guidance they receive from regional and headquarters staff encourages them to be liberal and err on the side of approving individual PASSes. Agency literature available to SSI recipients primarily defines the PASS program in terms of employment goals, with little or no focus on reduced or eliminated benefits, or increased earnings potential.

SSA field office staff in half the offices we visited said PASS approvals and denials were inconsistent, and nearly all field office staff expressed frustration with the inadequate guidance they received from SSA headquarters on approving or denying PASSes. Some SSA field and regional offices have developed their own guidance for approving PASSes to compensate for gaps they see in the POMS. As a result, we found that the PASS program was implemented differently by location or even by individuals in the same location, depending on the prevailing beliefs about program goals. For example, some field offices in Wisconsin use a PASS evaluation form that requires applicants to estimate their pre- and post-PASS earnings to demonstrate increased earnings capacity before they will approve a plan. Staff in other field offices said they only look to see if there is even a "remote chance" of achieving a proposed occupational goal. The basis for decisions about acceptable cost items also varies. For example, some field office staff approved computer expenditures for students without documentation that computers were required, while staff in another office denied a request for computer equipment, noting that the university the applicant planned to attend did not require students to have computers. Work incentive staff in some regional offices review PASS approvals and denials made by the field offices; however, staff in SSA's headquarters do not provide direct oversight of this process.

Program Has Few Participants, but More Growth Predicted

PASS program participants in December 1994 represented only three-tenths of 1 percent of the working-age SSI population. Nonetheless, the number of PASSes has risen dramatically in recent years, from 1,546 in March 1990 to 10,329 in December 1994. PASS program growth has been much slower during 1995; the number of plans increased by only 169 between December 1994 and June 1995. However, SSA field staff in 15 of the 19 offices we visited predicted that the number of PASSes will continue to grow. Several PASS preparers also told us they believe that more outreach

will increase PASS use. Outreach efforts, especially by outside organizations, have already increased awareness of the PASS program. For example, in the Denver area, several professional PASS preparers have established businesses that seek out clients. Since the late 1980s, individuals and organizations across the nation have assisted disability benefit recipients to understand and use work incentives, especially the PASS program. At the same time, some state agencies that provide employment services to the disabled have started to use PASSes to supplement other funds. Private agencies, too, are being encouraged to look at the PASS program as a funding source for their clients.

The potential universe of PASS program participants is significant and increasing with the recent tremendous growth in the number of federal disability benefit recipients.[4] All 4 million DI beneficiaries are potentially eligible for a PASS. In addition, any of the 2.3 million blind or disabled adults receiving SSI with additional income or resources to exclude could potentially participate in the PASS program.

Participants Are Largely DI Beneficiaries; Many Gain SSI Eligibility Through PASS Program

The PASS program encompasses primarily DI beneficiaries, who can exclude their DI benefits under a PASS. Of the approximately 10,300 PASS participants in December 1994, about 75 percent were concurrent beneficiaries, many of whom would not receive federal SSI benefits without a PASS. In comparison, about 30 percent of disabled adults in the overall SSI program also received DI benefits. We estimated that, overall, more than 40 percent of all PASS program participants had earned or unearned income, primarily DI benefits, in excess of the eligibility level for federal SSI benefits. These individuals received, on average, $318 in monthly federal SSI payments. Without the PASS program, they would not have been eligible to receive any federal SSI payments. The federal cost of PASS program participation for these individuals who use a PASS to establish SSI eligibility is often higher than just the SSI payment, because the participants may also gain access to other means-tested benefits, such as Medicaid and food stamps, while retaining access to DI payments and Medicare. In these instances, Medicaid supplements Medicare benefits, covering deductibles, medications, and other medical costs not covered by Medicare. Nearly one-fourth of recipients whose plans started in 1994 first applied for SSI benefits that year.

[4]See Social Security: Disability Rolls Keep Growing, While Explanations Remain Elusive (GAO/HEHS-94-34, Feb. 8, 1994).

PASS program participation for SSI recipients who are not concurrent beneficiaries is generally limited to those who are already working and can exclude their earned income or who receive other types of income or resources, such as an inheritance. Many SSI recipients who may benefit from the PASS program are unable to participate because they lack income or resources and cannot make the initial investments in education and skills that can be key to successful vocational rehabilitation.

SSA's Management of the PASS Program Is Poor

Our field work suggests that SSA's current implementation of the PASS program is poorly managed and designed. Information required of applicants is inadequate for evaluating plan feasibility. SSA field staff lack the training, guidance, and expertise to effectively review PASSes, and the PASS program competes with other field tasks, such as processing initial claims, that receive more work credit in SSA's system for measuring office productivity.

Staff Lack Necessary Data, Expertise, and Guidance to Evaluate PASSes

POMS guidance specifically directs field office staff to evaluate applicants' goals in light of their impairments and other disability-related factors. However, the POMS does not require much of the information that would be relevant to determine whether a work goal is feasible, including the nature of an applicant's disability, on a PASS application. This information may not be otherwise available to field office staff. Because of this inconsistency, staff may approve or deny PASSes without knowledge of the applicant's skills, education, work history, impairments, or even the disabling condition. Further, PASSes are not required to provide any information about the demands of the proposed job, and required skills and qualifications. We also found that diagnosis information was missing on the SSR, which is accessible by field office staff, for more than 40 percent of recipients with PASSes in December 1994. In addition, the detailed assessments of applicants' work ability compiled by state Disability Determination Services during its reviews to decide program eligibility are often not sent to staff in SSA's field offices.

Field office staff also lack specific training and experience in determining the vocational capabilities and needs of people with disabilities. As a result, staff in every office we visited reported that they do not feel equipped to adequately evaluate PASS work goals and expenditures. Staff in half of these field offices described the evaluation process as inconsistent between and often within offices, and some noted it was unfair to PASS program applicants. SSA headquarters staff are aware of the field staff's

concerns, which were discussed at a 1994 work group on the PASS program. Field office staff's lack of knowledge and training is also frustrating to third-party PASS preparers; half of those we interviewed said they did not believe field office staff were qualified to make decisions about PASS feasibility. In addition, at least 14 of 38 PASS preparers raised concerns about field office staff's lack of awareness and understanding about disability issues, including the vocational capabilities of people with disabilities. The differences in plan approvals and denials have also led some PASS preparers to "shop around" within a field office or across offices to find someone who will approve a plan that has been denied elsewhere, according to field office staff and preparers.

According to field office staff who evaluate plans, the guidance and criteria for approving and denying PASSes is inadequate, given their lack of expertise. While the POMS acknowledges that self-support is "highly subjective and often complex" to define, staff are directed to use a "common sense approach" when evaluating plans. When no licensed or accredited vocational rehabilitation agency or individual has been involved in developing a PASS, field office staff can seek outside input from a vocational rehabilitation or other employment services agency, or use their "judgment and intuition" to determine PASS feasibility. As a result, SSA field office staff can make highly individual decisions about plans based on their personal beliefs. For example, one field office staff member told us she denied a plan with the goal of writing a cookbook because she believed there were already too many cookbooks on the market. Furthermore, if they seek guidance outside of SSA, field office staff are limited to vocational agencies willing to provide evaluations of the feasibility of proposed work goals at no cost, unless the program applicant agrees to include the cost of the evaluation on his or her PASS. These agencies, however, are not required to advise SSA, and we found that some public agencies did not provide assistance to SSA field offices for individuals who were not already their clients. Field office staff also contact regional or central office work incentive staff with questions about feasibility; however, the staff in the regional and central offices are not necessarily trained in vocational rehabilitation.

The field office staff's lack of vocational rehabilitation knowledge and the limited guidance they receive also limits their ability to evaluate whether charges for particular items in PASS budgets are reasonable or necessary. Staff in at least eight field offices said they had no basis on which to judge whether a proposed item was reasonably priced. POMS guidance directs staff to be "as pragmatic as possible" when evaluating questionable

expenses or determining the relationship of an item or service to the work goal. We found that some staff used personal criteria for evaluating the appropriateness of certain costs, especially automobiles and computers. For example, one field staff member told us she denied a plan that included a $22,000 automobile because she herself could not afford a car that expensive, even with a job, so "why should someone receiving federal assistance be allowed to buy one?" Some PASS preparers reported that they were frustrated with the inconsistent and subjective criteria they believed staff used when assessing the appropriateness of expenses.

Items and services purchased with PASS funds do not need to be directly related to the claimant's disability, but only necessary to achieve the work goal. Field office staff provided examples of expenses they considered excessive or unnecessary, including new cars and doctoral degrees, that were submitted on PASS plans and permissible under PASS guidelines. In addition, some field office staff said they have difficulty evaluating specialized or highly technical equipment with which they are not familiar. SSA headquarters has also not determined whether only new cost items related to the goal should be approved, or whether the PASS can be used to pay for existing expenses, such as car loan payments, deemed necessary to achieve the goal.

PASS Program Given Lower Priority Than Other Field Office Activities

SSA field office staff in many of the offices we visited reported that time spent administering the PASS program is not adequately reflected in SSA's work credit system.[5] The time necessary to thoroughly evaluate a PASS, including seeking additional information about feasibility, was estimated by field office staff as up to 8 hours or more. The work credit for reviewing PASSes submitted by individuals already entitled to SSI, which is grouped with other tasks including recording wages earned, was 6.8 minutes in June 1995. Furthermore, PASS denials receive no credit at all, yet some field office staff reported that plan denials take even longer than approvals, because of the amount of evidence needed to justify the denial. Requests from two regional offices that SSA create a separate work credit category just for the PASS program were turned down by SSA headquarters. In our interviews, few field office staff identified the PASS program as a high priority workload. Many reported that initial claims and other tasks necessary to secure or start benefits for claimants were a higher priority than PASS. Monitoring PASS program compliance is also considered to be a time-consuming effort by field office staff, especially when participants

[5]SSA's work credit system measures individual office productivity, through tracking of specific tasks, and is used to allocate staffing resources across field offices nationwide.

have not kept adequate records. POMS guidance on reviewing PASSes and monitoring compliance includes a number of steps that could take several hours to complete.

More than half the PASS preparers we spoke with reported significant concern about the length of time required by field offices to approve plans. POMS directs field office staff to review PASSes "as soon as possible." SSA does not track the length of time PASS program applicants must wait for a decision on their plan. We were not able to develop an estimate because submission and approval dates were frequently not recorded on the plans we reviewed. However, we saw and heard examples of plans reviewed and approved within a day, as well as delays of several months before a response was given on a submitted PASS. Delays in approval could result in lost employment and schooling opportunities for applicants, and the slow approval process serves as a disincentive to PASS program participation, according to PASS preparers. For example, the two agencies involved in a demonstration project attempting to increase PASS use and evaluate PASS effectiveness in funding supported employment, conducted in 1989 and 1990 by the Association for Retarded Citizens of the United States, ultimately withdrew as a result of lengthy delays in approving PASSes. On the other hand, quick reviews may not effectively screen out applicants with infeasible PASSes.

PASS Program Impact Unknown

Although the PASS program has been in existence for more than 20 years, SSA has no published data on the PASS program's effect on employment and benefits, nor has the agency maintained the type of management data necessary for measuring program impact. We attempted to evaluate the PASS program's impact on employment among former participants. However, we were unable to adequately determine the long-term effect of PASS program participation for a number of reasons, including the fact that most PASS use has been very recent and that SSA has not maintained comprehensive historical data on PASS program participants. Furthermore, participation in the PASS program is based on self-selection, and therefore PASS program participants may well be different from other SSI and DI beneficiaries in ways that could affect their future employment and earnings, independent of the program.

On the basis of the limited data available, we examined the current status of former participants using selected economic measures of potential success—increasing earnings, reducing SSI benefits, and leaving the

disability rolls.[6] Among the SSI population, former PASS program participants were more likely than other SSI recipients to have sufficient earnings to reduce their SSI benefits, but few left the rolls as a result of their earnings. The PASS population was also likely to have been working before using the work incentive. Nearly half had earnings higher than before they had the PASS. Success in returning DI beneficiaries to work was negligible. Generally, earnings among concurrent beneficiaries who were former PASS program participants were not high enough to terminate DI benefits. While many concurrent beneficiaries we reviewed left the SSI program after their PASS ended, nearly all were still receiving their DI benefits in May 1995. We estimated the cost of additional cash payments to PASS participants in January 1995 as $2.6 million, or about $30 million annually.

SSA Lacks Outcome Data on PASS Program

The lack of clear outcome measures prevents SSA from evaluating the PASS program's success in helping recipients return to work. Consequently, the agency does not have data on the PASS program's effect on employment during the more than two decades since its inception and thus cannot make informed decisions on and changes to the program, such as developing appropriate criteria for setting time limits on PASSes or determining the best candidates to target, as well as improving program implementation. While SSA's current database for the SSI program, the SSR, includes some characteristics of PASS program participants, it does not systematically track PASS denials, PASSes that exclude only resources and not income, and the occupational objectives and budgets listed on plans. Therefore, SSA also does not know, for example, the acceptance and denial rates for PASS program applicants, nor the total number of applicants or active plans. SSA officials responsible for the PASS program are considering changes to the way program data are tracked, which would capture some of this information, including denials and resource-only exclusions.

Former Participants More Likely to Work Than Other SSI Recipients; Few Left SSI Rolls

Former PASS participants who remained in the SSI program were more likely to have earnings that reduced their SSI cash payments than were other SSI recipients. We examined December 1994 earnings and benefit data for 4,751 former PASS program participants whose plans had ended by that date. We excluded from our analysis concurrent former PASS participants who stopped receiving SSI payments after their PASS exclusion

[6]Although mentioned by some PASS preparers and field office staff as valid indicators of PASS success, we did not evaluate other possible measures of self-support, including increased employability, self-esteem, and social integration, or decreased reliance on employment supports such as job coaching.

ended. More than one-third of the 4,751 were reporting earnings to the SSI program, and the majority of these earned enough income to at least partially reduce their SSI payment amount. Half of the wage earners still receiving benefits reported wages of $360 or more for the month, which would result in a reduction in monthly benefits of about $147.[7] About one-fifth of the 4,751 former PASS participants were earning more than $500, SSA's measure of substantial gainful employment for most claimants. SSI benefits and reported earnings received before program participation were not available for all of the former PASS holders, and therefore we could not determine whether their earnings had increased or benefits had decreased after participating in the PASS program. Similarly, we could not estimate the cost of PASS program participation for this group of 4,751 former participants.

In contrast to the experience of former PASS participants, only about 8 percent of other working-age disabled SSI recipients reported any earnings during December 1994, averaging $300 per person. Similarly, while 14 percent of the 4,751 former PASS program participants had earnings high enough to end their cash benefits altogether, and were receiving Medicaid benefits only, only about 1 percent of other working-age disabled SSI recipients earned this much.

Very few former PASS program participants left the SSI rolls in the relatively short time frames for which data were available. Among the SSI-only former program participants we reviewed, about 160 had stopped receiving SSI or Medicaid by December 1994 for any income-related reason. They represented only about 2.5 percent of the 6,582 PASS program participants 1991 through 1993, including those concurrent beneficiaries who left SSI after their PASSes ended because their unearned income was too high. This low rate of leaving the SSI rolls by working for former PASS program participants is consistent with the overall experience of both the SSI and DI programs, which have traditionally seen low rates of return to work. However, even very limited workforce participation by SSI recipients can accrue significant federal savings. For example, the reduced benefits paid to all working recipients in January 1995, including former PASS program participants, lowered SSI cash payments by $18.6 million in that month alone.

[7]The SSI program disregards the first $65 of earned income, and half of all earnings over that amount, when determining the payment amount.

Many Participants Had Prior Earnings; Amount Often Increased After PASS Ended

We found that many PASS program participants had already worked while on the rolls. Because SSI preprogram benefit and earnings data were not available for most PASS program participants, we examined the annual earnings data reported to SSA for all workers, regardless of disability status, to determine whether PASS program participants had been working before starting their PASSes. About half of both current and former PASS program participants we analyzed had earnings the year before their plans began, averaging between $2,000 and $3,000.

Although we did not determine whether earnings increased as a result of the PASS, former participants' annual earnings were frequently higher in the year their plans ended. We reviewed pre-and post-PASS annual earnings data for 3,659 recipients whose plans had ended by December 1993. Approximately 55 percent had earnings in the year before their PASS, and about 60 percent had earnings in 1993. Nearly half were earning more in 1993 than they did before they had a PASS, including those with no prior earnings. The median increase in annual earnings for those with any earnings was more than $3,000. In addition, about one-fifth of the entire group had no earnings the year before their PASS started, but were working in 1993.

PASS Program Participation Has Limited Impact on DI Program

PASS program participation had almost no financial impact on the DI program. Given the high benefit paid to many DI beneficiaries—$660 a month, on average—a successful PASS program offers a chance for significant DI trust fund savings if participants leave the DI rolls, even with the cost of additional SSI benefits. However, while approximately 40 percent of concurrent beneficiaries left the SSI rolls after their PASS exclusions ended, about 93 percent were still receiving their DI benefits in the following year. And for the remaining 7 percent, many had DI benefits terminated for reasons other than earnings, such as death. Furthermore, unlike the SSI program, DI benefits are not offset by monthly earnings below $500, and previous GAO analysis has shown that earnings above this amount may not be economically rational for DI beneficiaries who face the loss of substantial cash and medical benefits.[8] For example, a DI beneficiary receiving $700 or $800 a month in cash benefits, plus Medicare benefits, could lose both for earning as little as $501 a month.

[8]See Social Security: Federal Disability Programs Face Major Issues (GAO/T-HEHS-95-97, Mar. 2, 1995).

Oversight and Internal Control Weaknesses Leave Program Vulnerable to Abuse

While the PASS work incentive provision is designed to be flexible and individual, oversight from SSA headquarters has been lax and required little accountability, leaving the PASS program open to abuse. Although SSA has established few required elements for PASS plans, we found evidence of noncompliance even with these minimal standards. In addition, we found that SSA's guidance to its field staff on administering the PASS program, as discussed in chapter 2, also lacks several internal control measures necessary to adequately ensure that expenditures are appropriate and beneficial. Specifically, SSA has no standard application form or effective time limits for PASSes, no penalties for willful noncompliance with the PASS program, and no standards for third-party PASS preparers. These internal control weaknesses result in SSA having little or no reasonable assurance that the PASS program is being used appropriately. While SSA headquarters is aware of many of these inadequacies and has established a work group to address some, efforts to date are not sufficient to protect taxpayer dollars and to restore public confidence.

PASS Requirements Minimal, Not Always Met

SSA regulations require only minimal information to be provided in PASSes, yet we found that even this information was not always present. According to regulations, the PASS must be in writing and (1) state a specific occupational goal, (2) disclose the amount of money the applicant has and will receive, (3) specify how this money will be spent to attain his or her occupational goal, and (4) explain how the PASS money will be kept separate from the applicant's other funds. SSA's PASS program guidance also states that PASSes should be "as descriptive as possible about the occupational objective." In addition, the occupational objective must be a job or profession, or increased hours or responsibilities at a job already held by the applicant; completion of education/training programs or the purchase of transportation are not occupational objectives, although they may be a means to attain an objective.

Field office staff sometimes approve PASSes even when these minimum standards are not met. Oversight of field office approvals and denials varies among the 10 regional offices; not all regions review the decisions made by their field offices. Our analysis of 366 approved PASSes found at least 20 that did not have acceptable occupational goals as defined in the most recent POMS. These included 11 approved plans with objectives solely to complete education/training programs, 4 plans with objectives to purchase automobiles and/or maintain car payments, and 5 plans in which no job or profession was identified. One of these plans, for example, stated that a PASS was necessary to "obtain a second job."

Our review of PASSes also revealed plans that did not state the amount of money recipients had and would receive, nor how the PASS money would be kept separate from the applicant's other funds. For example, 27 of the PASSes we reviewed did not show what money and other resources the PASS program applicant had or would receive to use in attaining the occupational objective. Without this information, SSA field office staff cannot determine whether the occupational goal is economically feasible. Further, at least 75—or about 20 percent—of the PASSes did not describe how the applicant would keep income/resources separate from other assets. If PASS funds are commingled with other benefits in the same account, it is difficult for SSA field office staff to measure compliance and ensure that PASS funds are spent only for approved items.

PASS Internal Controls Insufficient to Guarantee Taxpayer Protection

SSA's internal controls over the PASS program result in only limited guarantees that program moneys are being used appropriately and that taxpayer dollars are being spent judiciously. SSA regional and field office staff raised concerns about the integrity of the PASS program, noting that in its current state the program may be vulnerable to abuse. While not all of the internal control weaknesses we found have a proven adverse impact, each contributes to the potential for misuse. Internal control weaknesses we noted included the lack of a standard application form, no effective limits on the length of time a PASS may be in effect, few penalties for willful noncompliance with the PASS program, infrequent and nonstandardized compliance reviews, and inadequate controls over third-party PASS preparers. While SSA headquarters staff are aware of field office concerns, their efforts to date, including an internal work group on the PASS program and a new version of the POMS, have not sufficiently addressed them.

No Standard Application Form Required

SSA regulations do not require a standard PASS program application form, and as a result, PASSes vary in specificity and completeness both within and across SSA field offices nationwide. Further, some SSA field office staff told us that many of the details they would find helpful for evaluating PASSes were often not provided on plans. SSA has developed a sample form, included in a pamphlet for SSI recipients, which captures the minimum of required types of information necessary to process the application. (See app. I.) However, applicants are not required to use this form. PASSes we reviewed ranged from a few sentences to very detailed business plans. For example, one PASS program applicant submitted a nine-page plan to open a business providing on-site fish aquarium maintenance for offices and other business establishments. Another presented an application to become a

self-employed seamstress, which included an assessment of the market demand for her services and a detailed description of the need for proposed purchases. We also saw PASSes consisting of a few words jotted on notebook paper as well as plans lacking any specific occupational goal or discussion of the need for proposed purchases.

No Real Limits on Length, Number of PASSes

Current limits on the length of PASSes are being reviewed by SSA and may soon be removed in response to a congressional mandate that SSA develop individualized criteria for determining the time limit of a plan. Program regulations provide that PASSes be approved for an initial period of up to 18 months. Changes and extensions must be approved by SSA, with a 36-month maximum for general occupational goals and 48 months maximum for PASSes that require lengthy educational or training programs. These time limits have been successfully challenged in one federal district court as "unreasonable" and without consideration of individual needs,[9] and some PASS advocates have actively lobbied to have them removed. In 1992, the SSI Modernization Project recommended that the SSA Commissioner remove the regulatory limit on PASS length, and an internal SSA memo recommended allowing extensions beyond the existing limits, noting that time limits could be viewed as an additional barrier that keeps people with disabilities from achieving self-support. These recommendations were never implemented. Instead, the Social Security Independence and Program Improvements Act of 1994 (P.L. 103-296) required that SSA reexamine criteria for limits on the length of times PASSes may be active by taking into account reasonable individual needs. In an emergency teletype dated January 1995, SSA instructed field offices to grant 6-month extensions to PASS program participants who have exceeded the 36- or 48-month time limits, as long as the individual is in compliance and still needs to exclude income or resources to achieve his or her goal. Regulations currently under development will likely remove absolute time limits on the length of time a PASS may be in effect, according to SSA officials.

Because the PASS program is operating without clearly defined objectives and other internal controls, removing all time limits for PASS completion would likely exacerbate the program's vulnerability to misuse. Most SSA region and field office staff we interviewed who administer the PASS program do not want all PASS time limits eliminated. Some staff told us they believed that without any time limits PASS program participants may abuse the provision, staying out of work indefinitely and continuing to

[9]Panzarino vs. Heckler, 624 F.Supp. 350 (S.D.N.Y. 1985).

receive benefits such as Medicaid as well as increased SSI payments; others said that field office staff lack the background to make assessments of reasonable lengths of time for proposed PASSes in light of the applicant's disability.

No limit is placed on the number of approved PASSes an individual can have, provided that each one involves a different occupational objective. While only one PASS can be in effect at a time, a participant could have an unlimited number of subsequent plans if the first is unsuccessful. Individuals can even have a new plan if they were found to be deliberately noncompliant on a previous plan. While few in number, we saw instances where individuals were on their second or third PASS. For example, we reviewed one case in which a recipient had previous PASSes to be a word processor and receive a vocational evaluation, and now was pursuing a third goal of being a florist.

Guidance on Acceptable Expenditures Unclear

The lack of adequate guidance on acceptable PASS expenditures means that SSA cannot provide reasonable assurance that PASS funds are being spent appropriately. While POMS states that PASSes must explain the necessity of each proposed purchase in the PASS budget, and that these items must be reasonably priced (moderate or fair and not extreme or excessive within the geographic location), it offers insufficient specific guidance on allowable PASS expenditures, according to field office staff. While the current POMS provides examples of acceptable expenditures such as tuition, books, uniforms, equipment, child care, and attendant care that are acceptable if they are found necessary and reasonably priced, it places no absolute limits on the types of items that can be approved, nor their costs. For example, the POMS specifies only that a luxury or sports car would "rarely" be appropriate, but sets no limit on the amount that can be spent on an automobile. Furthermore, the standards for justifying necessity or cost have not been specified, leaving them open to individual interpretation. Some SSA field office staff cited examples of approved PASSes that they believed did not contain evidence that the proposed expenditure items were reasonably priced and/or in direct relation to the proposed occupational goal. Not surprisingly, approved and denied expenditures in the plans we examined were inconsistent. For example, the proposed purchase of a $13,000 automobile in one plan was denied on the basis that the applicant did not provide sufficient evidence to justify the car's cost; in another plan, the purchase of an automobile was denied altogether because the plan did not specify why the purchase of any automobile was necessary to achieve the occupational goal. In contrast,

we also saw plans in which similarly expensive vehicles were approved, or in which less justification for purchasing an automobile was provided. Some field office staff also told us that some individuals who helped prepare PASSes were occasionally unwilling to provide documentation to support proposed expenditures.

Compliance Monitoring Is Infrequent and Nonstandardized

The periodic reviews SSA requires to determine whether PASS program participants are complying with their plans are infrequent and nonstandardized. These reviews are intended to ensure adherence to the spending plan and to determine whether the occupational objective has been reached or whether the participant is meeting plan milestones. Recent changes to the POMS require compliance reviews at least every 12 months, compared with the previous requirement of at least every 18 months, and require reviews every 6 months under certain circumstances. SSA field staff in most offices we visited, as well as several third-party PASS preparers, told us that frequent reviews would help prevent noncompliance and the resulting overpayments from additional SSI payments to PASS program participants not following their plans. In addition, staff in at least four offices told us they review plans more frequently than the POMS guidelines recommend if they have concerns about the feasibility of a plan. One field office staff member, for example, said that she performs early compliance reviews for plans that include high expenditures, such as a $20,000 car.

SSA headquarters, however, does not have specific requirements about how compliance reviews should be done. The POMS directs field office staff to conduct the review in a manner convenient to the individual, either in person, by mail, or over the telephone. We found that all three methods were used. Ensuring compliance consists of reconciling actual expenditures with funds set aside under a plan and determining whether the program participant has reached his or her goal. Field office staff cited examples of PASS program participants submitting grocery bags or shoe boxes of receipts to be reconciled. In addition, according to SSA field office staff, many PASS program participants do not understand how to account for their funds, and some have not kept records of purchases. Little specific information about compliance reviews is included in the notification letter sent to individuals when their PASS is approved. Furthermore, some third-party PASS preparers told us that proper accounting of expenditures can be a difficult task for some program participants.

Few Penalties Exist for Willful Noncompliance

Guidance to field office staff does not make a distinction between willful noncompliance and noncompliance for other reasons. While the POMS specifies that a series of unsuccessful plans "may be grounds" for questioning the feasibility of a new PASS, there are no prohibitions on subsequent PASSes for individuals who have abandoned or willfully not complied with previous ones. Materials from one organization that prepares PASSes, for example, tells prospective clients that "there is no penalty for not obtaining or maintaining employment after participating in PASS." POMS directs SSA field office staff to ask the participant for evidence of PASS expenditures. If the participant provides none, the field office staff must obtain authorization from the participant to contact appropriate third parties to verify savings and purchases. Therefore, SSA field office staff must rely on the cooperation of the program participant and the third party to obtain needed evidence.

SSA headquarters guidance is unclear about actions field office staff should take if a PASS program participant is noncompliant with his or her plan. Although SSA regulations require all changes to PASSes to receive prior SSA approval, if during a compliance review a PASS program participant is found to be out of compliance with the terms of the PASS, the POMS gives the participant the opportunity to amend the plan and return to compliance. Specifically, if the PASS program participant has not met the occupational goal or is not in compliance, the POMS states that field office staff should amend the PASS retroactively to fit the participant's circumstances if this will result in compliance. For example, if an individual proposes to use a PASS to attend college as an engineering student and subsequently changes majors to journalism, the plan can be amended to reflect this change if this would make the program participant compliant with his or her amended plan. Similarly, if a PASS budget includes the purchase of a used car and the participant leases a new car instead, the plan can also be changed retroactively.

SSA's POMS also does not encourage terminating PASSes for recipient noncompliance. If the PASS cannot be amended or amendment would not result in compliance, POMS recommends suspending the PASS.[10] Terminating a PASS is recommended only as a last option. If they are found noncompliant, program participants may be charged with repaying the additional benefits they received during their PASS. However, some SSA field office staff we interviewed were unaware they could collect these overpayments from individuals who had not complied with their plans.

[10]When a PASS is suspended, PASS funds are no longer disregarded by SSA when calculating the benefit amount. However, the PASS may be resumed any time within the next 12 months.

The amount of overpaid funds that can be withheld by SSA from a subsequent SSI check is limited to 10 percent of the total benefit, unless the claimant agrees to a higher amount.

SSA Lacks Internal Controls Over Third-Party PASS Preparers

SSA guidance states that anyone can help prepare a PASS, including a vocational rehabilitation counselor, an organization that helps people with disabilities, an employer, a friend or relative, or SSA. Of the 380 PASSes we reviewed, more than half were prepared by third parties. Although SSA staff will help disability benefit recipients to fill out a plan free of charge, field office staff infrequently prepare PASSes. Indeed, SSA field office staff prepared only 14 of the 380 PASSes we reviewed. Recognizing the need for outside help, SSA field offices are to maintain a referral list of organizations that can assist people with writing their PASS, for a fee or not, although it does not endorse any organization.

Although SSA has determined that anyone can help prepare a PASS, it did not establish minimum standards for third-party PASS preparation. As a result, the services provided by third-party PASS preparers vary greatly. Some preparers we interviewed provide extensive assistance and resources to their clients to determine their goals and needed expenses, including vocational evaluations of their abilities and needs; others provide only guidance to clients, directing them to do their own research. In addition, the amount of vocational rehabilitation expertise and experience varied considerably among the PASS preparers we interviewed. Some were certified vocational rehabilitation professionals or had graduate training; others had no special experience or training in assisting people with disabilities with obtaining or maintaining work. In the last several years, a number of SSI and DI recipients have received training, generally funded by a PASS, on preparing PASSes for a fee in several states, including Iowa, Oregon, Maine, and Colorado.

The fees charged by preparers also range considerably. For example, the median fee charged among the PASSes we reviewed was $200, while the highest fee for PASS preparation and monitoring was $832. Some PASS preparers charge fees for PASS preparation as well as additional fees for other services, such as PASS amendments and monitoring. Other PASS preparers charge no fees but provide some or all of the services mentioned. POMS clearly states that fees are acceptable PASS expenditure items, but it is not clear whether SSA anticipated the amount of fees PASS preparers would charge in some cases and whether SSA intended to allow the applicants to claim the total amount as a planned PASS expenditure that

would be offset by additional SSI payments. According to the current POMS, PASS preparation fees should be evaluated on the basis of the preparer's involvement in formulating the plan, including the type of work done and number of hours. However, the absence of preparer standards and qualifications and the lack of nationwide SSA guidelines on appropriate charges make this guidance difficult for SSA field staff to administer. At least one SSA region issued its own guidance on acceptable fee amounts, recommending limits of $25 an hour and a total of no more than $500 for an individual PASS. Other regions approve fees in excess of these recommended limits.

SSA lacks a uniform policy toward third-party PASS preparers, and conflict exists between some preparers and the SSA field staff. While some PASS preparers encourage good relationships with SSA, others have adversarial relations with local field offices. The lack of written objectives and a clear definition of success creates the potential for disagreement and conflict regarding PASS approvals and denials. We found in at least six offices we visited that this conflict was disruptive to field office operations.

Most of the PASS preparers we interviewed expressed frustration with the inconsistencies in PASS approvals and denials across field offices where they submit plans. At the same time, some SSA field office staff told us they believed that some third-party preparers wrote "ridiculous" PASSes, unlikely to result in economic self-support, or simply designed to maximize an individual's purchases or the preparer's earnings. Field office staff and PASS preparers we spoke with were sometimes divided as to whether individuals who request a PASS should have a high probability of achieving the occupational goal, or if it should just be theoretically possible. Some PASS preparers we spoke with believed that nearly all PASSes are feasible, citing the requirement that the PASS program be liberally interpreted. One PASS preparer told us, for example, that the PASS program is an individual's opportunity "to pursue their dream." Another said he encourages his clients to "shoot for the stars" when developing a PASS.

Staff in at least nine SSA field offices we visited said that they felt pressured by third-party PASS preparers to approve PASSes. A few third-party preparers said they use tactics such as repeated calls to SSA field offices, involvement of advocacy groups, publicity, and letters to local congressional representatives to pressure field office staff to approve plans. Tension between PASS preparers and SSA field office staff may also

arise because PASS preparers sometimes get paid their fee only if a PASS is approved.

SSA has no internal controls to prevent conflicts of interest on the part of third-party preparers. For example, some PASS preparers also provide vocational and rehabilitation services for people with disabilities, and may write PASSes to pay for the services they also provide. We saw plans, for example, written to fund job coaching or independent living services provided by the agency developing the PASS.

SSA Is Aware of Internal Control Weaknesses but Has Taken Little Action

SSA is aware of and is trying to address some, but not all, of the internal control weaknesses present in the PASS program. Many are detailed in a 1994 internal SSA PASS program strategy paper. In addition, SSA issued new POMS guidance on the PASS program in January 1995 in an attempt to provide field office staff with better control over the program. Nonetheless, field office staff in nearly every office we visited reported that SSA's guidance on administering the PASS program still does not provide them with enough specifics for approving and denying plans. In September 1994, SSA assembled a work group to address various PASS program issues, including the role of third-party PASS preparers and field office staff's evaluation of plans. This group reconvened in August 1995 to review data from an internal SSA study of the PASS program conducted by the Office of Program Integrity Review and to address several related policy issues stemming from this study. SSA officials responsible for the PASS program told us they are currently considering a number of regulatory and policy options resulting from this group. In the near future, SSA plans to disseminate materials to educate PASS program participants and third-party preparers about PASS rules and responsibilities, but this will not address the issues of third-party preparer qualifications, services provided, fees charged, or conflicts of interest.

Conclusions, Matter for Congressional Consideration, and Recommendations

SSA has done a poor job implementing and managing the PASS program. The PASS program is small, comprising less than three-tenths of 1 percent of the working-age disabled SSI population; however, SSA pays about $30 million in additional cash benefits to PASS program participants annually, not including medical and other benefits. Moreover, the large potential for future growth merits attention now to serious management and internal control weaknesses.

As a result of the PASS program's design, more than 40 percent of all program participants had income, primarily DI benefits, that exceeded SSI standards and used their PASS to gain eligibility for federal SSI payments. These individuals maximize their federal benefits while participating in the PASS program, but almost none leave the DI rolls as a result of work. In addition, SSA has allowed PASS preparation and monitoring fees paid to third parties to be disregarded when calculating benefit amounts and has neither placed limits on the amount of such fees nor set standards for what services those fees should cover. Administrative action on these issues by SSA may well result in legal challenge because of SSA's long-standing practices of allowing DI beneficiaries to use the PASS program as a means for gaining SSI eligibility and of allowing fees to third-party preparers as PASS expenses.

SSA has not translated the Congress' broad goals for the PASS work incentive into a coherent program design, and it has not provided adequate criteria or guidance to field offices charged with administering the program. In following the congressional directive that the work incentive be "liberally construed," SSA has placed few limits on the program, such as stringent criteria for assessing whether an individual PASS work goal is feasible and whether proposed expenses are appropriate. SSA has also not developed outcome measures to evaluate the program's effect on participants' return to work. At the same time, field office staff who administer the PASS program receive inadequate training, information, and credit for this task.

Finally, SSA has not addressed internal control weaknesses that have left the program vulnerable to abuse and undermined program integrity. The PASS program lacks even minimal controls to provide reasonable assurance that additional funds are being spent appropriately and to safeguard against fraud and abuse. Currently, the lack of a standardized application form or compliance review process results in inconsistent and inequitable implementation, and insufficient guidelines on expenditures and lack of penalties for willful noncompliance make the PASS program a potential

target for abuse. Further, while third-party PASS preparers may play an important role in assisting disability benefit recipients, some of the services provided and fees received could create conflicts of interest and additional potential for abuse. Through its recently assembled work group, SSA is planning to address some of the design and internal control weaknesses we identified, but it is too early to determine whether SSA's actions will be effective.

Matter for Congressional Consideration

The Congress may wish to consider whether individuals otherwise financially ineligible for SSI because their DI benefits or other income exceeds the eligibility threshold should continue to gain eligibility for SSI through the PASS program.

Recommendations

SSA needs to make major improvements in the management of the PASS program to achieve more consistent administration, better support field staff, collect data sufficient to control and evaluate the program, and provide internal controls against program waste and abuse. We recommend that the Commissioner take the following actions, or, if necessary, seek legislation to do the following:

- clarify the goals of the PASS program;
- decide whether fees paid to third parties should continue to be disregarded when calculating benefit payment amounts and whether the amount of disregarded fees should be capped;
- standardize the PASS program, including the application, reporting guidelines on expenditures for compliance reviews, and informational and educational materials for PASS preparers;
- improve support to field staff, including enhancing their ability to evaluate the feasibility of proposed work goals, and requiring PASSes to incorporate additional data relevant to determining their feasibility, including the applicant's disability, previous work experience, if any, and education;
- gather additional management data on PASS program participation and impact, and use these data to evaluate the impact of PASS program participation on employment; and
- strengthen internal controls by establishing more specific guidelines on acceptable PASS expenditures, developing penalties for willful noncompliance with the PASS program, including a determination of whether subsequent plans are permissible, examining the role of third-party preparers, including their potential financial conflicts of interest, and considering the strength of existing safeguards against abuse

when determining the appropriate limits on the length and number of PASSes individual participants may have.

SSA's Comments and Our Evaluation

SSA generally concurred with our recommendations, and cited in its comments actions it intends to take to address them, including such actions as developing a standardized application form and providing improved support to field office staff. We deleted a recommendation in our draft report regarding the work credit field office staff receive for PASS tasks, because of the progress SSA has made in this area. SSA commented that it had limited statutory authority to address all of our recommendations. As we had stated in our recommendations, SSA may find it necessary to seek legislation to implement program changes. More details on SSA's specific proposed actions are included in appendix VI, as well as a full copy of SSA's comments and our response.

Sample PASS Format

Plan for Achieving Self-Support

Name _____ SSN _____

1. My work goal is: _____
2. I want my plan to begin in: _____

   I expect to reach my goal in: _____ (month and year)
3. I will have the following expenses in order to reach my goal:

Item	*Connection to Goal*	*Month(s) Paid*	*Cost*	*Total*

4. I already have the following money or property that I will use to reach the goal:

5. I expect to receive the following income that I will use to reach the goal:

6. I will keep the money I set aside under my plan in the following bank account:

7. I am/am not already working or saving toward the goal.

8. Signature _____ Date _____
9. Individual(s) who helped me with the plan:

U.S. Government Printing Office: 1994 — 350-568/12000

Demographics of Program Participants

Relative to the whole SSI disabled population, PASS program participants are younger and more likely to be men. More than a third of program participants in December 1994 were 30 years old or younger, and two-thirds were less than 40 years old. In contrast, more than half of the working-age SSI population was 40 years or older. About 55 percent of all PASS program participants were men, compared with only 45 percent of all disabled SSI recipients. Half of PASS program participants had been receiving SSI benefits for more than 4 years, and a few had been on the rolls since the SSI program began, more than 20 years ago. (See table II.1.)

Table II.1: PASS Program Participants Are Younger Than Working-Age SSI Population

Numbers in percent

Characteristic	PASS participants	Nonelderly adult disabled SSI recipients
30 years or younger	35	21[a]
40 years or older	33	56
Male	55	45[b,c]
Disabled with mental illness	41	30[b]
Benefits managed by a representative payee	19	31[c]
Concurrent beneficiary	75	32[c]

Note: Data are as of 1994.

[a]Ages 29 and younger.

[b]Includes disabled children.

[c]Includes elderly receiving SSI because of a disability.

Source: SSA.

As shown in table II.1, a larger proportion of PASS participants (41 percent) than the general SSI disabled population (30 percent) had mental illness as their disabling diagnosis. However, program participants were less likely to have another person, known as a representative payee, handling their benefits. About one in five had a representative payee, compared with nearly one in three disabled adult SSI recipients. A very few PASS program participants were also using other SSI work incentives to deduct expenses related to working, such as impairment-related work expenses or work expenses for the blind.[11]

[11]The same expenses cannot be deducted under more than one work incentive.

We found that in January 1995 approximately one-third of all unmarried PASS program participants were eligible for the maximum federal SSI payment allowable for persons with their living arrangements. The median SSI payment to all PASS program participants in that month was $436. On average, program participants received $270 more in federal SSI payments in January 1995 than they would have been entitled to without their PASS.

Sites GAO Visited

We selected SSI field offices for site visits that had a comparatively large number of approved PASSes in March 1994. To avoid duplication, we did not visit any office included in a 1992 review of the PASS program by the Office of the Inspector General, even through these offices often had very high numbers of plans as well and were located in the same areas. Within each office, we spoke with all of the claims representatives and management staff available, as a group, who had any experience reviewing PASSes and administering the PASS program.

Table III.1: Sites GAO Visited

Field office	Number of PASSes reviewed
California	
Berkeley District Office	31
Fairfield District Office	20
San Francisco Civic Center District Office	17
San Francisco Western Addition Branch Office	13
Santa Rosa District Office	26
Colorado	
Aurora District Office	6
Boulder District Office	9
Englewood Branch Office	19
Greeley District Office	13
Lakewood District Office	21
Maine	
Portland District Office	15
Saco Branch Office	None[a]
Massachusetts	
Somerville District Office	11
Quincy District Office	22
Michigan	
Ann Arbor District Office	None[a]
Vermont	
Montpelier District Office	14
Rutland District Office	46
Wisconsin	
Fond du Lac District Office	26
Madison District Office	71
Total	**380**

[a]We conducted interviews at these offices but did not review any files.

Methodology

We derived statistical data on PASS plans and participants from (1) data we collected during PASS file reviews in selected SSA field offices and (2) existing SSA databases. The following describes our methodology for each source.

PASS File Review

We selected the 19 sites for our visits from a list of 94 offices with 20 or more active PASSes in March 1994. In selecting offices to visit, we factored in those in areas we knew had active third-party PASS preparers. The Program Operations Manual System requires field offices to maintain copies of PASSes separate from other client files in a PASS "library." In each office, we drew a sample of plans from the PASS library, choosing a random starting point and reviewing every second, third, fourth, or fifth PASS, depending on the total number of plans. We did not set a target for any office, and the number of plans actually reviewed depended on the complexity of the plans and the time available in each office. The files we reviewed were a mixture of active, completed, and prematurely terminated PASSes, including both approved and denied plans. While they are representative of all PASSes administered by those offices where they were reviewed, our findings regarding their characteristics cannot be generalized to all PASSes nationwide.

Data that were captured from PASSes using a computer-based questionnaire were then compiled and analyzed using a statistical software package. For those data items, such as occupational goal type and title, for which aggregate statistics are cited in this report, we did an independent 100-percent verification of the accuracy of our data entry. During pretesting of our data capture procedure in the Ann Arbor, Michigan, district office, we determined that much of the data we sought, such as the approved plan starting date and approved budget for the plan, was not routinely available from PASS files. Therefore, for items that are used only anecdotally in this report, such as the costs of proposed purchases, we did not do a complete data entry verification. We also did not verify that PASS participants were actually complying with their plans, because this was the emphasis of the internal SSA review of PASS. For this reason, our data only reflect approved proposed work goals and purchases.

Analysis of Social Security Data

We used three separate SSA databases to profile current and former PASS program participants—the Workers' Database, Master Earnings File, and Master Beneficiary Record. The Workers' Database contains selected data fields on all SSI recipients with work activity in their most recent 12

months of program eligibility, regardless of when that last eligibility period ended. The Workers' Database is extracted monthly from the Supplemental Security Record. We used the December files from 1991 through 1994 to determine PASS program participants' benefit status and the amount of earnings they were reporting to the SSI program. By comparing these four December files, we were able to track program participants over time. Table IV.1 shows the 1994 status of former PASS program participants.

Because we were only interested in the potential impact of PASS program participation on earnings, we did not access current benefit data for former PASS program participants who were not working. We assumed that individuals not selected into the Workers' Database in subsequent years had no PASS or were not reporting any earnings to the SSI program. We could not tell if they were still receiving SSI benefits. However, we assumed that they had not left the SSI program for earnings-related reasons because these earnings would have been present during their last 12 months of program eligibility.

Table IV.1: Status of 1991-93 PASS Program Participants as of December 1994

First year the PASS appeared on Workers' Database	Individual was not found on 1994 Workers' Database	Individual found on Workers' Database, but had no 1994 PASS	Had 1994 PASS	Total
1991	1,252	1,500	818	**3,570**
1992	855	1,229	1,527	**3,611**
1993	299	1,447	2,862	**4,608**
Total, all years	**2,406**	**4,176**	**5,207**	**11,789**

To obtain a more complete picture of PASS program participants' earnings, we obtained data from SSA's Master Earnings File. Information on wages and self-employment earnings for all individuals with Social Security numbers, regardless of disability status, is sent directly to SSA from employers and the Internal Revenue Service. We obtained annual earnings data for all individuals with PASSes in the four Workers' Database files. The files contained data from 1937 to 1993, the last year of completed postings. These data provided a more comprehensive profile of earnings and enabled us to compare pre- and post-PASS earnings for those individuals whose PASSes ended before December 1993.

Finally, for all PASS program participants who were concurrent beneficiaries, we extracted selected fields from the Master Beneficiary Record in May 1995. The MBR contains benefit and demographic data for all DI beneficiaries. We used these data to track DI benefit status for former PASS program participants, including those who left the SSI rolls after their PASSes ended.

Selected Data From PASSes GAO Reviewed

The following is a 10-percent sample of the occupational goals, as written, for the 366 approved PASSes we reviewed. These plans represent a mixture of active and completed PASSes.

Occupational Goal

Complete bachelor's degree in political science to become a consultant
Computer specialist
Apply to law school to be a lawyer
Marriage, family, child counselor
Budget analyst
Receive a vocational rehabilitation evaluation
Start a lawn care business
Obtain diploma and job in medical administration
Complete degree at Boston College and seek employment
Computer science
Complete degree and become a graphics programmer
Attend the University of Massachusetts to become a theater administrator
Work 15 hours a week as a housekeeper at Budgetel
Multimedia/video production developer
Attend school to learn car repair
Maintain job as a filing clerk
Keep clerical assistant job
Licensed real estate agent
Full service custodian
Arts and crafts decorative artist
Video production degree
Education in business administration to be an accounting assistant
Counselor
Environmental scientist
Certified drafter
Accounting clerk
Train field dogs for hunting
Paralegal
Self-employed book indexer
Obtain career planning to work in accounting field
Custodian
Part-time employment as a janitor/maintenance worker

Part-time employment as shipping/receiving clerk
Clerical work at Walmart
Biotechnology lab technician
Newspaper or magazine journalist
Video production technician

Comments From the Social Security Administration and Our Evaluation

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

SOCIAL SECURITY
Office of the Commissioner

December 20, 1995

Ms. Jane L. Ross
Director, Income Security
Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Ross:

Enclosed are two copies of the Social Security Administration's comments on the U.S. General Accounting Office's Report, "PASS Program: SSA Work Incentive for Disabled Beneficiaries Poorly Managed" (GAO/HEHS-96-51), dated November 29, 1995.

As always, we appreciate the opportunity to comment. As our comments indicate, by mid-1994 I had recognized that there were problems with the PASS provision and I initiated an Agency review of PASS policy and operations. As a result, actions are already underway to strengthen the administration of PASS provisions.

In my personal review of the GAO draft report, I noted that some of the issues GAO found most troubling are the same ones we have struggled to resolve. If the final GAO report reflects changes suggested in our comments, I believe it will have significant value by helping to create understanding about what can and cannot be done under existing legislation.

Please let us know if we may be of further assistance.

Sincerely,

Shirley S. Chater
Commissioner
of Social Security

Enclosure

SOCIAL SECURITY ADMINISTRATION WASHINGTON DC 20254

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COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE GENERAL ACCOUNTING OFFICE (GAO) DRAFT REPORT, "PASS PROGRAM: SSA WORK INCENTIVE FOR DISABLED BENEFICIARIES POORLY MANAGED" (GAO/HEHS-96-51)

We welcome the opportunity to comment on this GAO draft report. PASS is an important work incentive for highly motivated disabled Supplemental Security Income (SSI) recipients and we want to make sure that it continues to be a viable avenue for moving them from dependency to independence. Former PASS participants are more likely to work than other SSI recipients. We believe that SSA is now on the way to ensuring this will continue to be true while reducing opportunities for misuse of the provisions and providing greater assurance that public funds are used appropriately.

See comment 1.

In mid-1994, the Commissioner of Social Security recognized problems in SSA policies and practices relating to PASS and immediately directed a full review of the program be undertaken. A special workgroup, which included policy and field operations staff, was commissioned to conduct the review. Based on the workgroup's interim findings and recommendations, improved PASS instructions were issued to all SSA field offices in December 1994.[1] The workgroup's final report, issued in 1995, concluded that many of the PASS policies and practices of past years were no longer adequate for the recent rapid growth in PASS usage. It recommended major changes to strengthen the integrity of PASS, minimize abuse, improve cost-effectiveness, and strengthen administrative control of the program. Since GAO's field work was contemporary with that of the SSA workgroup, it is not surprising that GAO's findings are similar to the workgroup's findings or that the workgroup's recommendations address all of the issues identified by GAO in its draft report.

Many discussions among SSA Deputy Commissioners and Associate Commissioners produced important refinements in the final recommendations and recently the Commissioner approved both policy and administrative changes. SSA is now implementing many of these changes. We believe that PASS administration improved following issuance of the December 1994 instructions and will show even more dramatic improvement with full implementation of the Commissioner's new policies.

See comment 2.

We do not dispute the GAO findings. However, we believe GAO's presentation of the findings can and should be more balanced and contextually complete. GAO faults SSA numerous times for allowing certain activities to take place, but fails to acknowledge that SSA may have no statutory authority to do otherwise. A specific example is SSA's "allowing" individuals to gain SSI eligibility by means of PASS. Other examples are

[1]Unfortunately, we believe that the timing of its field interviews did not permit GAO to observe the impact of these revised instructions.

provided in our comments below. We believe the GAO report should be revised to reflect accurately SSA's authority. We hope that GAO will address its concerns on issues such as these by expanding its recommendations for Congressional action.

GAO Recommendation

Clarify the intended goals of the PASS program.

SSA Comment

See comment 3.

We think there is sufficient Congressional history to arrive at a commonsense definition of "self-support" that includes both a reduction or elimination of cash benefits and we have adopted that definition. In part, the legislative history reads that Congress expected SSA "to provide every opportunity and encouragement to the blind and disabled to return to gainful employment...these provisions be liberally construed if necessary to accomplish these objectives."

See comment 4.

The fact that Congress provided for the exclusion of resources "necessary for self-support" implies that someone can be self-supporting but still on the SSI rolls. It would add needed balance to the report if the pertinent language from congressional reports were included.

There is one issue, however, where original Congressional intent was ambiguous. Because Congress directed SSA to "liberally construe" PASS provisions, SSA has permitted individuals to become eligible for SSI by using a PASS. We do not believe that we can change this interpretation unilaterally but we think it is worth questioning if Congress really intended this result. This report affords GAO the opportunity to bring this to the attention of the Congress and invite clarification.

See comment 3.

Separately, SSA had already begun addressing many of the problems that were discussed in the report, including issuing revised Program Operations Manual System (POMS) procedures in December 1994 on the PASS provision. These procedures were intended as an interim measure until the workgroup's final report was completed and the Commissioner approved new policies. We are now drafting POMS procedures which will clarify the expected outcome of a PASS and incorporate various policy and procedural changes which are designed to minimize abuse and improve the cost-effectiveness and administrative control of the PASS program. The new policies and procedures will be issued in the first calendar quarter of 1996.

GAO Recommendation

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Decide whether fees paid to third parties should continue to be disregarded when calculating benefit payment amounts and if the amount of disregarded fees should be capped.

SSA Comment

Existing statutory language limits SSA's discretion in this area. However, we do exercise our authority to determine the appropriateness of a PASS preparation fee as an excludable expense under a PASS. We agree that these issues need to be explored, and are currently evaluating possible legislative proposals with regard to these and other PASS issues.

GAO Recommendation

Standardize the PASS program, including the application, reporting guidelines on expenditures for compliance reviews, and informational and educational materials for PASS preparers.

SSA Comment

We agree that standardizing the application form would be beneficial in administering the PASS provision, as well as help in achieving greater consistency. We have developed a standard application form and are working on standardizing other areas. The new application will capture medical, educational and vocational background information, details about the individual's plan and more information about the necessity of proposed expenditures. The proposed form is currently in the formal review process, and will require approval from the Office of Management and Budget.

GAO Recommendation

Improve support to FO staff, including enhancing their ability to evaluate the feasibility of proposed work goals, requiring PASSes to incorporate additional data relevant to determining their feasibility, including the applicant's disability, previous work experience, if any, and education, and more closely aligning work credits for the PASS program with the amount of time actually spent on PASS-related tasks.

SSA Comment

We agree that improved support should be provided to FO staff on the PASS provision, particularly in terms of additional training. Given the small number of PASSes an individual claims representative sees, we have determined that the most cost-effective and efficient method of providing needed training is to develop a small cadre of specialists who will be responsible for the review and approval or denial of PASSes. While we recognize that vocational evaluation normally entails more extensive formal

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See comment 5

training, and that this type of work is typically performed by rehabilitation professionals with years of experience, we believe this is the best option available to us at this time.

We are addressing the inclusion of additional data in PASSes through our revised application form. With respect to time spent on PASS-related tasks, however, we do not support a change to the work measurement system. We are aware of the perception that workload credit for PASS cases does not reflect the amount of time involved in developing a PASS plan. However, the volume of PASS cases is too low to warrant the systems development and implementation of a separate workload category. As an alternative, we are instructing our regional office and local management to take into account the volume of PASS cases in individual FOs when allocating staff and distributing resources on the basis of work units.

GAO Recommendation

Gather additional management data on PASS program participation and impact, and use these data to evaluate the impact of PASS program participation on employment.

SSA Comment

We agree that more data are needed on PASS program participation and impact. We are currently working to develop better methods for obtaining management information for these cases. We expect to implement improved data collection as part of the PASS specialist initiative.

GAO Recommendation

Strengthen internal controls by establishing more specific guidelines on acceptable PASS expenditures, developing penalties for willful noncompliance with the PASS program, including a determination if subsequent plans are permissible, examining the role of third-party preparers, including their potential financial conflicts of interest, and considering the strength of existing safeguards against abuse when determining the appropriate limits on the length and number of PASSes participants may have.

SSA Comment

We agree that internal controls should be strengthened in some of these areas. As stated above, we are currently drafting POMS procedures which will incorporate, among other things, various policy and procedural changes that are designed to deter abuse

and improve the cost-effectiveness and administrative control of PASSes.

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See comment 6.

See comment 7.

See comment 8.

See comment 9.

See comment 10.

See comment 11.

However, as was stated by SSA at the exit conference, the law provides SSA no authority or basis to limit participation as suggested by GAO. Section 203 of the Social Security Independence and Program Improvement Act of 1994 prohibits SSA from applying across-the-board time limits on PASSes. Regarding the role of third party preparers, again SSA has limited legal authority to impose standards on private businesses. Further, we have no authority to specify what qualifications a preparer must possess or how much they may charge their client. In the context of these legal restrictions, SSA is evaluating possible legislative proposals consistent with the report recommendations. We encourage GAO to invite Congressional attention on these topics also.

Regarding willful noncompliance, the report states that there are no penalties in place where such noncompliance is determined. An individual who is found to have abandoned or failed to follow the conditions of his/her PASS loses the exclusions the plan provided. The result can be a lower SSI benefit or loss of eligibility. Statutory penalties for non-reporting may also be applied. Failure to cooperate in determining whether an individual is or is not pursuing the plan may lead to ineligibility. Any SSI payments made in error as a result of a finding of abandonment of a PASS would be subject to recovery.

Other Matters

We are providing the following information to clarify and/or correct some of the data in the report.

PASS "Program"

The report and covering letter refer to the PASS "program." Since PASS is not a separate program, we suggest that GAO substitute either "provision" or "exclusion."

Covering Letter

The letter states that the PASS provision was established to help benefit recipients gain independence through employment. We believe this is a somewhat stronger statement than those in the legislative history of the Social Security Amendments of 1972, and suggest the statement be revised to say "help disability benefit recipients to return to gainful employment."

Page 2, Executive Summary, second paragraph, second bullet

Our review of the congressional request for GAO review in House Conference Report 103-670 shows that Congress did not make an explicit request that GAO determine whether the PASS provision is vulnerable to abuse and did not mention or allude to abuse. In fact, GAO cites the specifics of the Conference Report request on

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Now on pp. 13-14.
Now on pp. 13 and 31.

See comment 12.

page 15 of its report and there is no mention of abuse.

Page 14, first paragraph, and Page 37, first full paragraph

The report implies that SSA arbitrarily eliminated the 48-month time limit for a PASS contained in the regulations. However, as SSA explained at the exit conference, that change was mandated by Section 203 of the Social Security Independence and Program Improvements Act of 1994 which amended section 1633 of the Act to direct SSA to develop regulations to implement individualized criteria for determining PASS time limits and other criteria.

This change prohibits SSA from applying absolute limits. Further, SSA data indicate that approximately 75 percent of all PASSes stop within 18 months of initiation; approximately 94 percent stop within 36 months.

Now on p. 18.
See comment 13.

Page 19, first full paragraph

The figures cited regarding the amount of the PASS exclusions found in GAO's case sample imply that individual PASSes may be costing the government up to $1,000 per month. In actuality, regardless of the amount of income excluded, an individual will not receive more than the Federal benefit amount and any appropriate State supplement in a given month.

Now on p. 25.
See comment 14.

Page 29, first full paragraph

The report's assertion that SSA has never evaluated PASS is incorrect. GAO is well aware that both OIG and an SSA workgroup have recently evaluated PASS.

Now on p. 33.
See comment 15.

Page 39, last paragraph

The report correctly notes that the minimum frequency for compliance reviews was changed from 18 to 12 months, but fails to note that the December 1994 POMS instructions require reviews every 6 months in certain circumstances.

Now on p. 38.
See comment 16.

Page 46, "Conclusions..."

The report states that eligibility for the PASS program has evolved by default, not design. However, this statement is based on GAO's interpretation of the goals of the PASS provision, and is not supported. SSA's policies for implementing the provisions in law and the congressional statement of intent were carefully crafted to "liberally construe" the application of this work incentive to encourage severely disabled and blind recipient to attempt work that could lead to self support. From the beginning, regulations and instructions have stated the eligibility requirements for PASS. The fact that the law does not permit SSA to restrict eligibility for PASS in certain

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situations when GAO believes eligibility should be limited, or that SSA has not implemented its own policies in a consistent manner, in large part due to the uncertain nature of what Congress viewed as "self-support," should not be cited as arguments supporting this view.

Technical Matters

Page 10, second paragraph

See comment 17.

The report uses the term "safeguarding" cash. The fact is that cash is not "safeguarded" under a PASS. Instead, a recipient is allowed to use cash for expenses related to a work goal instead of counting it against cash benefits.

Now on p. 10.
See comment 18.

Page 11, first full paragraph

Medicaid eligibility is not automatic for SSI beneficiaries in every State.

Now on p. 11.
See comment 19.

Page 12, second paragraph

The Office of Retirement and Survivor's Insurance and Supplemental Security Income Policy is now the Office of Program Benefits Policy. The Office of Disability does not have responsibility for PASS policy.

Now on p. 13.
See comment 20.

Page 14, last paragraph

The IRWE provision does not result in a benefit increase for DI beneficiaries.

Now on p. 18.
See comment 21.

Page 19, first paragraph

The statement that SSA does not limit costs of items as long as they are necessary is inaccurate. The POMS clearly state (as the GAO report later acknowledges) that the items must also be reasonably priced.

Now on p. 28.
See comment 22.

Page 33, first sentence

There appears to be a word missing. Based on the context, we presume GAO meant to say that earnings were "frequently higher" in the year the plans ended.

The following are GAO's comments on the Social Security Administration's letter dated December 20, 1995.

GAO Comments

1. We are aware of the work group study and recognize that it examined the PASS program during the same period we conducted our review. As SSA noted in its comments, the work group's findings are consistent with ours.

2. Our conclusions describe possible statutory barriers to proposed recommendations, and direct the Commissioner to seek legislative authority, if necessary, to implement these recommendations. (See ch. 4.) In its comments, SSA noted that it did not have the statutory authority to address all of our recommendations. However, many of the issues we raised are already well known to SSA, and the agency could have sought legislative action or clarification at any time. To our knowledge, SSA has never sought legislative remedy for its concerns. By including as a matter for congressional consideration the issue of non-SSI recipients who use the PASS program to gain eligibility for SSI, we acknowledged that SSA could not unilaterally change the eligibility criteria for the PASS program.

3. The definition of self-support SSA cites is not explicitly included in literature to claimants about the PASS program. Furthermore, while the January 1995 POMS does note that participation in the PASS program is expected to "produce additional earned income to eliminate, or at least reduce, SSI payments," many field staff expressed confusion about the intended goals of the program. Our interviews with field office staff and third-party PASS preparers showed that many different interpretations of self-support were being used to develop and evaluate plans and that approvals were inconsistent as a result. SSA did not provide us with any specific information about forthcoming changes to the POMS or other PASS program policies and procedures, including a strategy to operationalize this definition of self-support. (See pp. 19-20.) We conducted our field interviews from January through March 1995. Staff in nearly all the field offices we visited had received and been briefed on the revised PASS program instructions. Although they had limited experience implementing them, the majority of staff members told us that they believed the new instructions would not provide sufficient guidance for approving and denying plans. (See p. 37.)

4. Language from the House Report accompanying the PASS work incentive, including the directive that the provision be liberally construed,

was included throughout the report and remains. The report was not revised.

5. We believe that SSA's proposal to instruct regional and local management to be cognizant of PASS workload when allocating staff and resources among field offices is a reasonable one. In addition, the proposed development of PASS specialists to review and approve or deny PASSes should mitigate the workload burden on individual offices. Accordingly, we have deleted our recommendation on the workload credit for the PASS program. (See p. 39.)

6. We are not suggesting that SSA implement across-the-board time limits to cover all PASSes. Rather, the Social Security Independence and Program Improvement Act of 1994 requires SSA to establish criteria for time limits that take into account the reasonable length of time needed to achieve an individual employment goal, as well as other appropriate factors. We believe that within the confines of the law, time limits for individuals, although not across-the-board limits, can and should be established that do not compromise SSA's ability to control the PASS program.

7. While we recognize that SSA does not have the statutory authority to regulate private businesses, in its comments the agency notes that it has the authority "to determine the appropriateness of a PASS preparation fee as an excludable expense under a PASS." Similarly, SSA could place limits on the amount of the fee that could be excluded under a PASS, regardless of the amount charged to the program participant. In addition, SSA could issue guidelines to its field staff regarding circumstances under which fees would not be excludable, such as when the preparer is already providing other services to be paid with PASS funds.

8. We recognize that there are consequences for noncompliance with a PASS, including losing the additional funds and/or SSI eligibility resulting from PASS exclusions and that possible overpayments are subject to recovery. Accordingly, the report was revised to acknowledge SSA's ability to apply statutory penalties for nonreporting. However, these consequences are the same whether a plan has been purposely abandoned or noncompliance has occurred for another reason beyond the claimant's control, such as illness or hospitalization. Specifically, as stated in the report, neither the POMS nor PASS program regulations prohibit individuals with a history of deliberate PASS noncompliance from having another plan approved. The report has also been revised to clarify the limits of SSA's authority in recovering SSI overpayments. (See pp. 34-35.)

9. We recognize that the PASS work incentive was enacted as a provision in the SSI program legislation and was never legally established as a distinct program. However, since the House Conference Report (103-670) accompanying the Social Security Independence and Program Improvement Act of 1994 refers to the "PASS program," we have opted to use the term for ease of understanding.

10. The report was revised to clarify the exact language authorizing the PASS provision.

11. The request in the law that we review the PASS program was broad in scope. Recognizing other ongoing studies of the PASS program, we reached agreement with the relevant congressional committees on these objectives.

12. The report was revised to clarify the reason SSA is modifying time limits for individual plans.

13. No revision was made as this clarification about the maximum amount of additional SSI benefits PASS program participants may receive is already present in the report. (See p. 13.)

14. The report was revised to clarify that SSA has not published any program impact data for the PASS program, including the internal data used by the SSA work group, developed in a study by the Office of Program Integrity Review. We reviewed drafts of the Office of the Inspector General report; however, the OIG review did not encompass the PASS program's impact on employment and benefits.

15. The report was revised to include additional information about the minimum frequency for compliance reviews.

16. The report has been revised to recognize that SSA made an explicit decision to allow DI beneficiaries and others to use the PASS program to gain eligibility for SSI payments because of congressional direction to liberally construe the provisions of the statute. In addition, the issue of eligibility was raised in a matter for congressional consideration in the draft report SSA reviewed. (See pp. 38-39.)

17. We believe that participation in the PASS program does serve to safeguard or protect cash benefits, because excluding income or resources

under an approved plan prevents a participant's cash award from being reduced by this income or resources. The report was not revised.

18. The report was revised to clarify Medicaid eligibility for SSI recipients.

19. The report was revised to reflect SSA's comment regarding the cognizant office for PASS program policy. Although the Office of Disability does not have line responsibility for PASS program policy, the Assistant Commissioner for the Office of Disability discussed with us the relationship between the PASS program and the Office of Disability's Employment Strategy.

20. The report was revised to clarify the effect of impairment-related work expenses on SSI benefits.

21. The report was revised to clarify that items must be reasonably priced. However, SSA does not place any dollar limits on PASS cost items.

22. The report was revised to clarify our findings about earnings.

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